

# EXHIBIT A

**From:** charles@divestcap.com [mailto:charles@divestcap.com]  
**Sent:** Thu 6/5/2003 12:49 PM  
**To:** Danny Golan  
**Cc:** bruce@divestcap.com; ctighe@graycary.com; Shlomo Meichor  
**Subject:** FW: STRUCTURING DIVESTCAP ASSUMPTION OF CONTROL OF SIGHTLINE

SUBJECT TO ATTORNEY CLIENT PRIVILEGE

Danny,

I will do my best to hold off all payments until we find a better alternative. We might have one soon: I finally have 2 decent banks in contention for opening an account in the UK for the Oldpoint BVI

In the meantime, 2 important things:

1. Please see the attached as Gray Cary's proposed first steps to make the US sub a distributor for OIC, which we believe to be the tax optimal approach. Note that:

(a) this structure matches the one Raz had suggested (US Sub becomes separate distributor for the BVI)

(b) since DivestCap (BGH & CCH) will actually own the US distributor, we'll need to do an agreement with Cavallo that has an adjustment provision to ensure that the total economic split is 20% - 80%  
DivestCap - Cavallo

2. not reflected in this proposal, we believe it could be important to have a separate BVI buy the assets from Oldpoint for accounting simplicity, for exit simplicity, and for maximal protection of Oldpoint.

I'd like your blessing on #1, and your thoughts on #2. Thanks much.

Charlie

Charles C. Hale  
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-----Original Message-----

From: Tighe, Craig [mailto:ctighe@graycary.com]  
Sent: Wednesday, June 04, 2003 8:54 PM

To: 'charles@divestcap.com'; 'bruce@divestcap.com'  
Cc: Rinsky, Art  
Subject: STRUCTURING DIVESTCAP ASSUMPTION OF CONTROL OF SIGHTLINE  
divestcap/genl

<<10302956\_2.DOC>> Charlie and Bruce-- Here's a summary analysis regarding  
S corporation election strategy.

Art and I would be happy to discuss any questions or comments you have.

Best regards.--Craig

**STRUCTURING DIVESTCAP ASSUMPTION OF CONTROL OF SIGHTLINE****[JUNE 2003]****Assumptions:**

- SightLine is a newly-formed corporation
- Oldpoint, as SightLine shareholder, signed consent in connection with Asset Purchase Agreement
- GSA received copy of this consent
- SightLine signed GSA contract

**Goals:**

- Have Hale/Hill become SightLine shareholders without triggering requirement for GSA consent
- Avoid double-tax on SightLine income by having it make S Corporation election once Hale/Hill are shareholders
- Avoid having any built-in gains tax triggered, now or later, with respect to the GSA contract from time the S Corporation election is made

**Recommended Steps:**

Action	Analysis/Comments
Oldpoint transfers 100% SightLine shares to Hale/Hill	No GSA consent is legally required. Share transfer not deemed a transfer of the GSA contract. What is the purchase price for the SightLine shares?
SightLine elects a "stub" tax year ending June 30, 2003	Because SightLine had a foreign corporation shareholder during its first tax year, it cannot make S corporation until next tax year. Therefore, to expedite election, SightLine needs to truncate its first tax year.
SightLine makes S corporation election for tax year commencing July 1, 2003	If SightLine has any assets with a built-in gain on the S corporation election date, then when such assets are sold, the gain on sale will be subject to double level tax as though SightLine were a C corporation. Thus, if the GSA contract has a built-in gain (i.e., discounted present value of contract's profits is a positive number), then if the contract is sold, the gain over zero would be subject to the double level tax. Such double tax would not be triggered if SightLine is sold in a stock transaction.

# EXHIBIT B

**divestcap**

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**From:** Golan, Daniel [Danny@sagecap.com]  
**Sent:** Wednesday, June 04, 2003 4:57 PM  
**To:** Shlomo Meichor  
**Subject:** FW: Genesis

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Shlomo,  
Please call me ASAP.

-----Original Message-----

**From:** charles@divestcap.com [mailto:charles@divestcap.com]  
**Sent:** Tuesday, June 03, 2003 7:29 PM  
**To:** bruce@divestcap.com  
**Cc:** Golan, Daniel; 'Gordon Pell'; 'Wendolyn Diggs'  
**Subject:** RE: Genesis

Until we (i) get an account of our own for Oldpoint or (ii) do the tax structure reorg, we can use:

Old Point International Group  
Citibank / NYC / Bear Stearns & Co., Inc.  
Account number: 0925-3186  
ABA Number: 021-0000-89  
For the Benefit of: Old Point International Corp.  
For Account #: 102-21602

We'll want to monitor closely when the customers send us money into that account -- it'll be harder for us to tell by looking at the bank records since we're a relatively small part of the account.

Charlie

Charles C. Hale  
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Divestiture Growth Capital LLC  
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-----Original Message-----

**From:** Bruce Hill [mailto:bruce@divestcap.com]  
**Sent:** Tuesday, June 03, 2003 11:13 AM  
**To:** charles@divestcap.com

Subject: Genesis

Charlie,

I'm about to send a maintenance agreement to Genesis. One question:  
where  
do you think I should tell them to send the money?

Bruce G. Hill  
Divestiture Growth Capital  
617 489-6162 (office)  
617 818-3850 (mobile)  
[bruce@divestcap.com](mailto:bruce@divestcap.com)

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EXHIBIT C



**divestcap**

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**From:** Bruce Hill [bruce@divestcap.com]  
**Sent:** Tuesday, October 28, 2003 12:43 PM  
**To:** Golan, Daniel  
**Cc:** Charles@divestcap.com  
**Subject:** SightLine Systems Tax Structure

Danny,

We have confirmed the following things about Subchapter S:

1. The Subchapter S corporation can be an accrual basis taxpayer. This means that income in SSC will be based on recognized revenue under GAAP rather than cash received.
2. Basis for a Subchapter S corporation is a) original cost + b) any gains allocated to the shareholders – c) any distributions to the shareholders.
3. When the stock of a Subchapter S corporation is sold, provided that the stock has been held for one year, the federal long-term capital gains rate applies (which is 15%).

Based on this, I think we should stay with the Subchapter S corporation for SightLine Systems Corporation.

Bruce